

APPENDIX A COST ELEMENT DEFINITIONS

General

Direct costs are defined in DoD 7000.14-R. There are three categories of direct costs (labor, material, and other). The definitions are as follows:

a. Direct Labor - Work performed solely for the benefit of a single specific job order as provided by engineering estimates. The number of direct labor hours (civilian and military) chargeable to a job order are only those incurred during the period of time that benefits accrue solely to that specific job order. All other labor hours (civilian and Military) shall be recorded as indirect.

b. Direct Material - Material and supplies that can be identified as specifically required for the performance of work as specified by a work authorization document and / or Bill of Material (BOM). A small item of insignificant material may be treated as indirect material even though the item is incorporated as a part of the final product, if this practice is consistently applied from job order to job order. Direct material may either be incorporated as part of the final product or consumed in the maintenance process.

c. Other Direct Costs - Purchased services shall be charged as direct costs to the benefiting job order. If only one job order benefits from a contract or purchase, the cost of the contract shall be charged to that job order. If more than one job order benefits from a contract, the cost of the contract shall be prorated to the benefiting job orders based upon estimates or calculations of the benefits received by each job order.

(1) The cost of contracts that supplement capacity or capability for the depot shall be charged to the job orders that use the additional maintenance services.

(2) Travel and per diem expenses including regular labor hours spent in travel shall be charged as other direct costs only if the labor hours worked while traveling are charged as direct labor. If more than a single job order is worked on, the travel and per diem expenses shall be prorated on the basis of the related direct labor. Otherwise, all travel and per diem expenses shall be charged as an indirect expense of the employees cost center.

Unless otherwise stated, each indirect cost element represents cost to a DOD organic depot maintenance Working Capital Fund (WCF). There are four parts to each cost element definition. The first part gives a common definition of each cost element. This is followed by Service unique definitions or treatment of the cost element. The last two parts indicate how the cost element should be treated for comparability - both in a formal bid process and when a decision is being made on assignment of workloads to a Service.

The "Customer Cost (Line IIA6)" identifies whether the cost element should be included in a proposal bid or consolidation decision. The "Comparability Adjustment Required" identifies whether any adjustment should be made based on the Services accounting system. The cost elements are organized into indirect functional areas as follows:

Indirect Functional Area	Pages
1.0 Production Support Functions.....	A-8....A-14
2.0 Other Indirect Functions.....	A-15...A-26
3.0 Facility Support Functions	A-27...A-29
4.0 Equipment Management Functions.....	A-30...A-31
5.0 Indirect Labor Costs	A-32...A-34
6.0 Material Adjustments	A-35...A-36
7.0 Depreciation/Amortization.....	A-37...A-38
8.0 Non-DoD Functions	A-39...A-39
9.0 Excluded Base Support Activities.....	A-40...A-40

Summary of Comparability Adjustments

For each defined indirect cost element, a determination must be made on the need to make comparability adjustments. Remember, negative adjustments from the bid price will only be made if the specific cost is included in the Service's proposals and positive adjustments will be made if the cost is omitted from the proposal. Also, there are instances when adjustments for a specific cost element may only include a portion of the costs defined by that element. Review and understand the definitions to be sure as to the need for an adjustment.

The following matrix of identified adjustments (page A-3) has been developed and updated to summarize the results of the committee's efforts. The matrix includes two columns which describe how to handle an adjustment based on the type of competition. The first column identifies the adjustments required for a public to private competition and the second column is for public to public competition or comparison.

The coding for each element is as follows:

- (-) Indicates that this cost element or some portion of the cost element will be adjusted out of the bid price. Remember, adjustments will only be made if the element is included in the bid. Read the definition to determine, by Service(s), whether any adjustment is appropriate.
- (+) Indicates this cost element or some portion of the element will be added to the bid price. The Service that this applies to is indicated in parenthesis.
- (0) No adjustment required.

SUMMARY OF MAJOR COMPARABILITY ADJUSTMENTS MATRIX

(Not all inclusive--refer to specific elements if not included in matrix)

Bid/Proposal Worksheet Part II B		Public/Private	Public/Public	
Line #	Cost Element	Bid Adjustment	Bid Adjustment	Page #
1	Engineering-Design Support to Production	- (N)	- (N)	A-11
2	State Unemployment Payments	+ (All)	0	A-39
3	Base Facilities Maintenance and Repair	+ / - (AF) / (tenant)	+ / - (AF) / (tenant)	A-29
4	Unfunded Civilian Retirement	+ (All)	0	A-33
5	Depreciation for MCP Facilities	+ (All)	0	A-37
6	Casualty Insurance	+ (All)	0	A-39
7	Military Non-Depot (on active duty)	- (All)	- (All)	A-34
8	Commercial Activities (OMB Circular A-76)	- (All)	0	A-17
8	Industrial Health Services	+ (A,N,MC)	+ (A,N,MC)	A-18
8	Mobilization Support	- (All)	0	A-25
8	Motor Pool/Vehicle Maintenance	0	- (A,N)	A-30
8	Test Pilots	- (All)	0	A-9
8	Impact Aid	+ (All)	0	A-39
8	Other (depot related expenses partially or fully funded by the Customer). Only adjust in that portion unfunded to the WCF	+ (All)	+ (All)	A-8 thru A-40**

** When annotated, the function is to be included in the customer/bid price (Form 1, Line II A6).

Service Codes:

A = Army, N = Navy, AF = Air Force, MC = Marines, All = All Services, tenant = Host Tenants

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INDIRECT COST ELEMENT DEFINITIONS

1.0 PRODUCTION SUPPORT FUNCTIONS

1.1 FIRST LINE SUPERVISION

Common: The supervision level immediately over the direct labor workers. The first line supervisor position labor costs shall be charged as an indirect cost. Crew chiefs, snappers, and team leaders are not first line supervisors.

Service Unique: NAVY - Treats as direct costs for some workloads, i.e., F-14 and P-3A competition aircraft.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.2 WORKLOAD PLANNING/SCHEDULING/ESTIMATING/PRODUCTION CONTROL

Common: The labor cost associated with the short term and long term functions involving the coordination and execution of current plans and programs, cost estimating, scheduling, posture planning, customer fund administration, workload negotiation, material requirements forecasting, and control production workload.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.3 MATERIAL HANDLERS/TRANSPORTATION/EQUIPMENT OPERATORS

Common: Those labor costs related to general material handling, i.e., those persons supporting numerous direct job orders, that are responsible for checking, processing, moving and distributing material, shall be charged to the overhead expense of the performing shop. This includes material runners, expeditors, handlers and equipment operators. Costs for second destination transportation are not included.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.4 MANAGEMENT OF MATERIALS

Common: Includes requisitioning from supply source, turn-ins to supply, storage of WCF material, inventory accountability, issuing from WCF inventory, management of inventory levels, research of stock numbers, awaiting parts management, and material receipts inspections. Material receipt inspection is the examination (including testing of supplies and services including, where applicable, raw materials, documents data, components and intermediate supplies) to determine whether the supplies and service conform to the technical requirements.

Service Unique: ARMY - Material inspection is direct. In addition Army handles management of materials as follows: Stabilized rates/fixed prices for all maintenance customer orders/workload have a factor incorporated to recover supply costs (i.e., receiving, storing, inventorying and issuing of maintenance repair parts). The factor (i.e., supply support to maintenance) is based on a rate per direct labor hour which is assessed to our maintenance customers as a direct other cost. This approach is similar to the service cost center concept employed by the other Services. Accordingly, maintenance workload now reflects a true cost to accomplish the supply effort involved with same.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.5 TOOLS MANAGEMENT

Common: The labor costs for requisitioning, receiving, stocking, storing, and issuing durable hand and power tools. Included are the labor costs for general operations of the tool room/crib. The acquisition costs of the tools are chargeable to Expendable tools and equipment.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.6 TEST PILOTS

Common: Labor costs for military & civilian pilots performing functional aircraft test flights repaired at the depot. With the change of funding military personnel from WCF, this is a funded direct expense. If the RFP requires test pilots, then costs will be included in all bids.

Service Unique: Marines - Do not have costs in this area.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out for public to private if not required in RFP.

1.7 SUPPLY FUNCTIONS

Common: Non-WCF material storage, warehousing, issuing, receiving, inspection, inventory and accounting.

Service Unique: None.

Customer Cost (Line II A6): Not a depot maintenance cost.

Comparability Adjustment Required: None.

1.8 PROGRAMMING COMMON ATE/NC EQUIPMENT

Common: Programming effort necessary to develop programs that operate and control ATE and NC equipment. If programming effort can be identified to a specific direct job order, the cost will be direct - otherwise treat as indirect cost.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.9 WEAPON SYSTEMS ENGINEERING

Common: Total engineering support for weapon systems. Includes designing repairs and modifications, configuration management, monitoring reliability data and weapon systems performance, maintaining technical data, and technical support of production. These services are normally considered a customer related cost not Depot Maintenance.

Service Unique: NAVY - In NAVAIR this service is a direct workload.

Customer Cost (Line II A6): If the RFP requires weapon system engineering support, then it will be included in Line II A6. Otherwise this is not a depot maintenance cost.

Comparability Adjustment Required: None.

1.10 ENGINEERING - DESIGN SUPPORT TO PRODUCTION

Common: This is an extension of Weapon Systems Engineering (1.9 above). Costs incurred for weapon systems design support to production. For example, problems encountered that are not covered by tech data/manuals. However, some Services separately identify these costs. Weapon system engineering including design engineering to support production includes the development and documentation of design repairs, maintenance procedures, technical orders, and/or engineering instructions.

Service Unique: NAVAIR - Indirect Funded Cost

Customer Cost (Line II A6): Not a depot maintenance cost.

Comparability Adjustment Required: If included in Line II A6, adjust out of bid for both public to public and public to private.

1.11 PRODUCTION ENGINEERING

Common: Costs incurred in the application of industrial engineering principles and techniques relating to the propriety of technical data packages. This includes overhaul procedures, shop routing, process sequences, work flows, changes to technical data and inspection procedures, and development of overhaul standards including analysis and refinement of production methods.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.12 INDIRECT PRODUCTION MATERIAL/OPERATING SUPPLIES

Common: Materials used in production or services which can not be charged accurately and economically directly to a job order due to the low quantity used/required and the difficulty in measuring consumption. Examples are plating, acids, impregnating substances, gases, welding rods, paint, nuts, bolts, pre-expended bins, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.13 CONTRACTOR ENGINEERING & TECHNICAL SERVICES (CETS)

Common: Engineering and technical services performed by DoD contractors. Contractor engineering and technical services consist of the following:

a. Contractor Plant Services. Engineering and technical services provided to DoD personnel by a manufacturer of weapon systems, equipment, or components. These services are provided in the manufacturer's facilities by their engineers and technicians.

b. Contractor Field Services. Engineering and technical services provided to DoD personnel by contractor representatives. These services include information, instruction and training, and hands-on training incidental to other training provided by the contractor.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.14 PRODUCTION TESTING (POL)

Common: Testing POL (petroleum, oil, lubricants) is all petroleum products utilized in depot maintenance support of aircraft and engines.

Service Unique: NAVY - Treats as direct cost.
AIR FORCE and ARMY - Treats as indirect costs.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.15 BACKROBBING

Common: Backrobbing is the labor cost for taking of an assembly, subassembly, component or part from one item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a later time. Installation of the backrobbed component into the benefiting end item is charged to the benefiting job order.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.16 CANNIBALIZATION

Common: Cannibalization is the labor costs for taking of an assembly, subassembly, component or part from an item that has not been inducted for maintenance. Normally restricted to salvage/condemned items.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.17 DEFECTIVE WORK, REWORK AND SPOILAGE

Common: Defective work, rework, and spoilage is the effort (i.e., material and labor) needed to remedy or correct imperfections arising from normal production and bring to standard specifications. Included also is the cost associated with redoing "guaranteed" work and the cost of re-inspecting components and assemblies. Costs associated with defective work and spoilage will be charged to the benefiting job order as a direct cost when the amount is within the range of expected norms. However, excessive cost not related to the job order or costs to correct major deficiencies relative to defective work and spoilage will be charged as an indirect maintenance overhead expense.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.18 QUALITY MANAGEMENT

Common: Quality management is defined as the development, implementation, and maintenance of generic quality procedures and general document control. Also included are those functions that provide quality requirements and assessment criteria, quality systems, quality management, engineering and technical control. Involves the development and application of statistical process control techniques to continually improve processes and determine process capabilities.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.19 TESTING/INSPECTIONS/VERIFICATION

Common: In-process inspection of maintenance production for early detection of deficiencies in the product or service and final inspection and acceptance testing. Additional testing and inspection is performed through use of oil analysis, destructive testing, accident investigation and chemical testing.

Service Unique: ARMY - Direct - Performance of oil analysis, accident investigation, metallurgical, in-process and final inspection, final testing and chemical testing for an outside customer. Indirect - When these functions are performed for the benefit of the depot. (Example: Chemical test for plating tank solutions.)

MARINES - In-process inspection (sampling) is indirect. Final inspection is direct.

NAVSEA - Test design and evaluation related to customer work, and all inspection (initial, final, or operational during the productive process) is coded direct, non-customer work is indirect.

NAVAIR & AIR FORCE - Inspections performed by artisans/mechanics is direct. Those performed by personnel from quality organizations are indirect.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

1.20 QDR/MDR/ADR

Common: The labor cost for a customer identified defect or non-conforming condition which limits or prohibits the item from fulfilling its intended purpose. Included are deficiencies in design, specifications, material, manufacturing, operations and workmanship. Includes the investigation and resolution of a customer complaint.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.0 OTHER INDIRECT FUNCTIONS

2.1 COMPTROLLER SERVICES

Introduction:

Includes financial analysis, cost accounting, budget, pay and travel, and vendor payment functions. All the Services treat these cost as indirect; but the method used to obtain the services vary.

NAVY - Uses in-house WCF personnel except travel, vendor payments, and some pay functions. Other functions are performed by others on a reimbursement basis.

ARMY - WCF personnel provide services.

MARINES - Performed by others and reimbursed except budget which is performed in-house.

AIR FORCE - Performs financial analysis and budget in-house. Other functions are performed by others on a reimbursement basis.

2.1.1 ACCOUNTING

Common: Managerial Accounting and Cost Accounting. Managerial Accounting is associated with monitoring the financial health of the WCF operation including preparation of financial reports, briefings, and analysis. Cost Accounting is associated with the collection and classification of financial accounting data in accordance with regulatory guidance.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.1.2 BUDGET

Common: All costs associated with the preparation and analysis of WCF budgets. Examples of workload involved are: stabilized rate development, overhead rate development, and budget execution reviews.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.1.3 FINANCE

Common: Includes the cost of administering the payroll and travel of WCF employees and the cost of WCF vendor payments.

Service Unique: None. **Customer Cost (Line II A6):** Include.

Comparability Adjustment Required: None.

2.2 OTHER INDIRECT COSTS

Common: Supervision, administration, secretarial and clerical costs are those costs related to the management and administrative support of WCF operations. Examples of functions included in this category are bid/proposal preparation, military (other than direct) secretaries, clerks, staff support, administrative assistants, all supervisors and other functions not defined elsewhere. Corporate Office expenses will also be included. Additionally, administrative efforts involved with bond drives, the Combined Federal Campaign (CFC), management improvement programs (i.e., beneficial suggestions, cost reduction, TQM, etc.), and other special observances (i.e., Martin Luther King Program, Black History Month, etc.) are included.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.3 TRAINING/TUITION - WCF EMPLOYEES

Common: Cost of tuition, fees, books, etc. for WCF employees in formal training status. Excludes On-Job-Training (OJT) and when specific training is required for unique jobs or functions. Does not include travel costs associated with training. All training related travel costs are chargeable to travel.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.4 COMMERCIAL ACTIVITIES---A76 STUDIES

Common: Cost of performing A76 studies.

Service Unique: MARINES - Unfunded

AIR FORCE - Portion accomplished by cost analysis function of comptroller is unfunded.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out for public to private.

2.5 AIRCRAFT OPERATIONS

Common: Aircraft or "air field operations" are those costs associated with support functions for local and transient aircraft to include flight clearance authority, weather service, crane and rescue facilities, flight planning facilities, aircraft servicing operations, notice to airmen service and operations security. Also includes coordination with flight service stations, air route traffic control centers and approach control units. Costs associated with this element are not financed with WCF resources

Service Unique: NAVY - Reimburses based on portion of total flights performed.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.6 COMMUNICATIONS SERVICES

Common: Includes telephone services (local, long distance), equipment (leased/owned), installation and relocation of equipment, and maintenance/service of equipment. Funded as indirect. Message service and AUTOVON is unfunded, however personnel are funded.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.7 AUTOMATED DATA PROCESSING/AUTOMATION SERVICES

Common: Includes the administration and operation of the information management function: to include information architecture plans, system integration, supervision of related operational activities. Also included is the analysis, design, programming operations and maintenance of depot WCF management information systems along with associated personnel, supplies, equipment and all other costs in support of base operations data processing facilities including the costs of transmitting data to a centralized facility.

Service Unique: None

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.8 MAINTENANCE - ADPE

Common: Cost of preventive maintenance and repair of WCF owned ADPE.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.9 INDUSTRIAL HEALTH SERVICES

Common: Health services costs are those costs incurred in treating civilian employees. Includes those who are injured in the course of their duties, sick during duty hours, return from extended sick leave, and physical exams to determine fitness for duty - including exams by private doctors.

Service Unique: AIR FORCE - Funded.

NAVY - Unfunded except fitness for duty exams.

ARMY & MARINES - Unfunded.

Customer Cost (Line II A6): Include for Air Force.

Comparability Adjustment Required: Adjust in for Navy, Army, and Marines for public to public and public to private.

2.10 MAIL DISTRIBUTION

Common: Mailroom activities include postal service charges for official correspondence/mail, postage stamps, meter charges, licenses, etc. Mailroom service includes those costs associated with the pickup and delivery of mail and FAX services.

Service Unique: MARINES - Unfunded except Federal Express postage and FAX.

AIR FORCE - Postage unfunded.

Customer Cost (Line II A6): Include for funded activities.

Comparability Adjustment Required: Adjust in for unfunded activities when material.

2.11 CIVILIAN PERSONNEL SERVICES

Common: Civilian personnel management includes costs associated with processing civilian personnel actions, employees benefits programs, civilian personnel records, recruitment and placement policy, planning and accomplishing reductions in force, reorganizations, and transfers of function, position and pay management, labor management relations programs, and training administration.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.12 MILITARY PERSONNEL SUPPORT

Common: Military personnel management includes costs associated with processing military personnel actions, military benefits programs, military personnel records, military pay, and training administration. Unfunded by all.

Service Unique: None.

Customer Cost (Line II A6): Do not include.

Comparability Adjustment Required: None.

2.13 SAFETY

Common: Safety costs are those costs incurred in the support of safety activities to include assigned civilian personnel salaries and benefits, associated training, safety supplies (i.e., goggles, shoes, earplugs, boots, and hard hats) and other materials used in the promotion of the safety program. Also included are costs associated with accomplishing environmental checks (i.e. air, noise, asbestos). Included costs associated with safety equipment which falls within the realm of the WCF expense criteria.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.14 PURCHASING & CONTRACTING SERVICES

Common: Purchasing and contracting for supplies, services and minor construction, small business activities, imprest fund, contracting costs and price analysis, assisting with performance work statements, administration of contracts and purchases, advance acquisition planning, and the small and disadvantaged business programs. Any procurement actions initiated by inventory control points are considered outside the scope of consideration for cost comparability purposes.

Service Unique: NAVY - NADEP procurement efforts are unfunded. The Naval Supply Center and Naval Regional Contracting Office provides the procurement services free. At some NAVSEA working capital fund activities, procurement actions in excess of \$200,000 ; \$500,000; or \$1,000,000 are serviced by central procurement offices - Navy Regional Contracting Office (example).

AIR FORCE - Local purchase is unfunded, equipment purchases (CPP) are reimbursed.

Customer Cost (Line II A6): Include for funded Service activities.

Comparability Adjustment Required: Adjust in for unfunded Service activities.

2.15 PUBLIC AFFAIRS

Common: Public affairs costs are those costs incurred in the planning, supervising and conducting of programs associated with the preparation and release of information through various informational media to internal and external audiences. Also included are those costs incurred that are associated with all local news media outlets and the civilian community.

Service Unique: MARINES - Unfunded.

Customer Cost (Line II A6): Include for Air Force, Army, and Navy.

Comparability Adjustment Required: Adjust in for Marines.

2.16 AUDIO VISUAL SERVICES

Common: Cost associated with issuing, maintaining, and procuring audio visual equipment, making video presentations, maintaining the film library and taking official photographs and slides.

Service Unique: AIR FORCE - Base audio visual office costs are unfunded. WCF maintains own contract for this service.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.17 PRINTING AND REPRODUCTION

Common: Printing and reproduction costs are all costs incurred by the WCF for printing, reproduction, and publishing services needed to accomplish the WCF requirements. Excluded as a cost of printing and reproduction is the cost associated with the original copy of automatic data processing output products which is properly costed to automatic data processing operations.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.18 CENTRAL SYSTEM DESIGN, DEVELOPMENT AND MAINTENANCE

Common: Central MIS design includes cost incurred in the development of depot maintenance computer systems and programs. Systems design accomplished for Service-wide data systems are unfunded.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.19 HAZARDOUS WASTE MANAGEMENT

Common: Management and disposal of hazardous waste resulting from the production process includes labor, material and contractual cost of cleaning air, water, ground and ground water. Hazardous waste management includes environmental engineering functions, such as, control of hazardous waste, design of buildings and equipment that reduces generation of hazardous waste and ensures compliance with federal, state, and local regulations.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.20 EQUAL EMPLOYMENT OPPORTUNITY

Common: Equal employment opportunity costs are incurred to plan and direct the EEO initiative. Included is education and training programs, the Affirmative Action program, the discrimination complaint system and other designated special emphasis programs. Also included is labor cost of personnel while participating in EEO sponsored programs and counseling sessions.

Service Unique: MARINES - unfunded

AIR FORCE - Base EEO office is unfunded whereas WCF employees time spent in counseling is funded. WCF maintains their own EEO office.

Customer Cost (Line II A6): Include for Air Force, Army, & Navy.

Comparability Adjustment Required: Adjust in for Marines when material.

2.21 INTERNAL REVIEW

Common: All costs incurred in internal review functions including review of financial operations and systems, coordination of external audits/reviews, and monitoring follow-up on internal and external audits/reviews actions and recommendations. Other functional areas reviewed are to determine submarginal performance in diverse functional areas to improve shop performance, goals, comprehensive investigation, evaluation of trends and variances.

Service Unique: MARINES - All unfunded.

Customer Cost (Line II A6): Include for Air Force, Army, & Navy.

Comparability Adjustment Required: Adjust in for Marines when material.

2.22 TECH MANUAL LIBRARY

Common: The tech manual library is the repository for all technical data, including books, manuals, blueprints, slides, etc., relating to mission workload performed by the depot. Includes all cost incurred in the operation of the technical library. Does not include costs associated with Weapon System Engineering or any other non-WCF function.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: No

2.23 LEGAL SERVICES

Common: Legal costs are those costs incurred in providing legal support for the administration and operation of WCF activity. Included therein are legal opinions involving pre and post procurement awards, fiscal matters, environmental matters, labor matters, and criminal investigations. Also included are the preparation and adjudication of claims against the government.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.24 OFFICE SUPPLIES

Common: Office supplies are defined as those materials such as tablets, pens, pencils, calculator tapes, staplers and other similar items required to sustain production and indirect maintenance operations.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.25 TRAVEL COSTS

Common: Those costs incurred by WCF employees (i.e., transportation, per diem, fees, etc.) incurred in the course of TDY and travel for training. Does not include labor costs of employee while in a travel status.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.26 PCS

Common: PCS (permanent change of station) is all entitlements due an working capital fund employee for a PCS authorized per the joint travel regulations.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.27 OVER/UNDER APPLIED OVERHEAD ADJUSTMENTS

Common: Applied overhead adjustments are made at year end to bring into balance the amount of overhead applied vice actual overhead costs. The purpose for the adjustment is to achieve equality in costs for incurred overhead. The delta is not included in product cost because it is maintained at the General Ledger level only.

Service Unique: AIR FORCE - Does not use.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

2.28 CONTRACT ADMINISTRATION (evaluation factor)

Common: Represents the costs (labor, material and associated overhead) incurred by government entities for administering contracts awarded to public/private concerns to ensure specifications/requirements are fulfilled. These costs should be accumulated regardless of the government source of funding.

Service Unique: None.

Customer Cost (Line II A6): Not included.

Comparability Adjustment Required: Add the associated costs to both the private and public bid. No adjustment for public to public competition. If required in the RFP, then include in Line II A6 and annotate for evaluators.

2.29 MOBILIZATION SUPPORT

Common: The cost associated with (1) developing and testing mobilization support plans (2) underutilized capacity.

Mobilization Planning cost is the cost associated with development and testing of mobilization support plans provided by the depot for mobilization exercises or actual war / contingency periods.

Underutilized capacity is the cost defined by DoD 7000.14-R, Volume 11B Chapter 63, which defines mobilization as the cost to maintain a surge capacity and / or maintain other assets, functions, or capability required to meet an operation contingency documented in Defense Planning Guidance or Operational Plans. DoD 4151.18-H, provides detail instructions on capacity measurement.

Comparability adjustment is limited to cost contained in the depot rates and should not include costs supported by external funding.

Service Unique: None

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out for public to private.

2.30 CORPORATE HEADQUARTERS (effective in FY94)

Common: The Headquarters costs which benefit the organic depot maintenance.

Service Unique: None

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out all non-organic depot maintenance headquarters costs.

2.31 Additional Competitive Bid Preparation / Oversight Cost

Common: The private sector submits competitive bids that do not require full cost and pricing data. When the public sector activity is submitting a proposal, even for a firm fixed price contract, it must prepare a complete cost proposal with a full support package. This package must endure numerous audits and evaluations that scrutinize the assumptions on which the government activity proposal was made. Public activities should collect actual cost data for proposal preparation and, where the requirements for public activities varies from those levied on the private sector, document the differences and the related cost.

Service Unique: None

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: If included in Line II A6, adjust out of the bid for public to private.

3.0 FACILITY SUPPORT FUNCTIONS

3.1 FUELS

Common: Fuels are all petroleum products and other fuel types used to support the installation with the exception of those fuels used for aviation and facilities. Examples are leaded and unleaded gasoline, motor oil, lubricants, kerosene, compressed gases, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.2 FIRE PROTECTION

Common: Includes labor cost for fire prevention, inspection, protection and instruction by fire fighting personnel in support of the Working capital fund. Also included is performance of structural and crash fire fighting services.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.3 CUSTODIAL SERVICES

Common: Includes all costs incurred in the performance of janitorial services for all WCF areas including production. Excludes end-of-shift clean-up.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.4 POLICE SERVICES

Common: Includes all cost incurred for security received, to include daily protection of personnel, equipment, material, and overall administrative responsibility for the physical security, loss prevention program, and the monitoring of the information security program. Includes personnel badges, vehicle decals, and traffic control.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.5 UTILITIES

Common: Includes the cost of water, sewage, steam, refuse/garbage, electricity, air conditioning, gas (including natural), compressed air, fuels (for facilities) and utility maintenance used by the WCF. Also includes costs for utility operations provided by the host or other outside sources.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.6 SHOP / OFFICE REARRANGEMENT

Common: Includes all costs incurred due to the rearrangement of the shop/office.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

3.7 BASE FACILITIES MAINTENANCE AND REPAIR

Common: Includes all costs for planning, designing, and recurring day-to-day, periodic, or scheduled work required to preserve or restore a facility to such condition that it may effectively be used for its designed purpose. Includes work undertaken to prevent damage to a facility which otherwise may be more costly to restore. Includes ground maintenance cost for care of roads, streets, walks, parking areas, shoulders, drainage systems, and lawns.

Service Unique: AIR FORCE - Pay only for pavements and real property which are for the exclusive use of working capital fund entities.

MARINES - Do not pay for common roads.

Customer Cost (Line II A6): Include for all funded services.

Comparability Adjustment Required: Air Force will adjust in for all unfunded costs. ARMY and NAVSEA activities that are host commands will adjust out that portion of Base Facilities Maintenance & Repair costs that are not associated with depot maintenance.

4.0 EQUIPMENT MANAGEMENT FUNCTIONS

4.1 MAINTENANCE - PRODUCTION EQUIPMENT

Common: Cost of preventive maintenance and repair of production equipment. For example, presses, lathes, test equipment, ground support equipment, grinding machines, milling machines, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

4.2 MOTOR POOL/VEHICLE MAINTENANCE

Common: Motor pool services includes all costs associated with the operation of and operating/organizational maintenance of the motor pool. Includes cost of preventive maintenance and repair of vehicles. Examples include lifts, forklifts, tow bars, tractors, trains, trucks, fire equipment, cranes, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Army & Navy adjust out for public to public competition.

4.3 PMEL/CALIBRATION

Common: Includes cost for calibration of equipment, support of standards, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

4.4 MAINTENANCE - OTHER EQUIPMENT

Common: Includes the costs of preventive maintenance and repair for all other equipment (for example - office equipment and furniture).

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

4.5 EQUIPMENT RENTAL

Common: Includes Costs incurred by the working capital fund for rental of equipment.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

4.6 CAPITAL EQUIPMENT PLANNING

Common: The labor cost to develop and plan for organizational modernization and to develop long range plans for tooling and capital equipment.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

4.7 EXPENDABLE TOOLS AND EQUIPMENT

Common: Includes the acquisition cost of office equipment, office furniture, and hand tools such as drills, saws, etc. required to accomplish the maintenance function. Expense tools and equipment when the cost is less than the working capital fund capitalization limit.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.0 INDIRECT LABOR COSTS

5.1 NONDIRECT TIME OF DIRECT EMPLOYEES

Common: Includes the labor cost for time spent by direct employees on work delays, union activities, safety meetings, training, clean-up, welfare drives, going to dispensary, personnel matters, fire evacuation, intransit time, grievances and appeals, traumatic injury, severe weather, power loss, and light duty.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.2 ACCELERATION FACTORS

Common: Acceleration factors are added to employee pay rates to cover the cost of leave (annual, sick, holiday, other) and fringe benefits (retirement, life ins., health ins.). Treatment as direct or indirect cost will be according to how the employee's time is charged.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.3 OVERTIME/HOLIDAY PREMIUM

Common: Represents the premium portions of overtime paid to employees. In general, these costs are treated as indirect.

Service Unique: NAVY - Treats overtime premium as direct cost when worker is performing direct work.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.4 CASH AWARDS

Common: Includes awards to civilian employees from the appraisal process, suggestions, etc.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.5 END OF YEAR ACCELERATION ADJUSTMENTS

Common: Adjustments are made to adjust labor acceleration factors to actual expenses.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

5.6 WORKER'S INJURY COMPENSATION

Common: This covers the cost of liability insurance of federal employees through the Federal Employee's Compensation Act (FECA). Public Law 93-416 requires a fund to compensate employees for loss due to on-the-job injury. Public depots collect revenue and contribute to the FECA Fund. This cost includes long term disability and death benefits.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: If the depot activity is also the base host activity, adjust out the tenant(s) portion of the payment. Adjust in any costs paid by an appropriated fund that are not included in the customer rates. Otherwise, no adjustment required.

5.7 UNFUNDED CIVILIAN RETIREMENT

Common: Unfunded DOD contribution to the Civil Service Retirement System (not FERS). This rate is available from the Office of Personnel Management (OPM).

Service Unique: None.

Customer Cost (Line II A6): Not included.

Comparability Adjustment Required: Adjust in all unfunded costs for publ adjustment required for public to public.

*OPM / Mike Viraga
unfunded %
used against
salary is 10.2%
OPM actuarial
office
202-606-0722*

5.8 MILITARY NON-DEPOT

Common: Military time spent by active duty personnel performing functions other than Depot Maintenance related functions (Military training, rifle range, physical fitness training, special projects, parades, Armed Forces Day, and other non-maintenance duty). Excluded from this category are civilian employees on military leave (See acceleration factor definition).

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out of bid for both public to public and public to private.

5.9 RETIREE HEALTH BENEFITS

Common: Current civilian employees upon retirement from the government are offered health benefits which are partially funded by the government. This cost comparability adjustment helps assure government proposal costs are comparable with those of private firms for this element of cost in accordance with the Financial Accounting Standards Board (FASB). Analysts from the Office of Personnel Management have estimated the 4.7% of annual salary would be adequate to cover the required government funds for post employment health benefits. Restating this as a percent of labor cost (which includes fringe benefits, leave, & holiday), the amount would be 3% of total annual labor cost.

Service Unique: None.

Customer Cost (Line II A6): Not Included.

Comparability Adjustment Required: Adjust in for public to private. No adjustment required for public to public.

6.0 MATERIAL ADJUSTMENTS

6.1 FUND CODE CHANGES

Common: Fund code changes are those changes in material status from unfunded to funded and vice versa.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

6.2 INVENTORY ADJUSTMENTS

Common: Inventory adjustments are those adjustments made when on hand balances do not agree with inventory, records, intransit material adjustments or other material adjustments.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

6.3 DISALLOWED MATERIAL RETURNS

Common: Disallowed material returns and backorder cancellations are defined as those materials and supplies ordered/prepositioned for ongoing maintenance programs for which the work requirement for same no longer exists. When the material is returned to supply or the backorder is canceled, no credit is obtained for the return or cancellation. Disallowed material returns and backorder cancellations will be credited to the job order for which the requirement originally existed. If the original job order is closed or is not identifiable then the value of subject material will be charged as an indirect maintenance overhead expense.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

6.4 LOSS ON MATERIAL SENT TO DISPOSAL

Common: Loss on excess material sent to disposal is that material that has been declared as excess to the depots needs which has been returned to the supply system for appropriate disposition instructions. Costs associated will be charged as an indirect maintenance overhead expense unless it is determined that the customer changed specifications on the original order in which case the cost will be charged to a separate job order for reimbursement from the original customer.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

6.5 STANDARD PRICE REVISION

Common: Standard price revisions are defined as those adjustments required to bring depot maintenance material and supplies inventories in line with current standard catalog prices.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

6.6 USE OF SPECIFIED SOURCES

Common: The requirement to use specific sources for purchase of repair parts, utilities, or services can drive higher costs. Sometimes, the rate the Government Activities charge contain recoupment, surcharges, and other factors that are not part of the actual cost. For this reason, public depots must use estimates of actual costs, not budget / stabilized rates, when preparing proposals. However, when the public activities purchase spare parts, utilities, etc. from other government activities, they are charged the stabilized rate. This creates an inequity.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: Adjust out for gain; adjust in for loss.

7.0 DEPRECIATION / AMORTIZATION

7.1 REAL PROPERTY - CPP

Common: Depreciation/amortization of minor construction cost charged over its useful life.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

7.2 REAL PROPERTY - MCP

Common: Depreciation/amortization of MCP is the cost charged over the useful life of the major construction project.

Service Unique: None.

Customer Cost (Line II A6): Do not include.

Comparability Adjustment Required: Adjust in for all public bidders under public vs private competition. No adjustment for public to public.

7.3 EQUIPMENT

Common: Depreciation of equipment (funded or unfunded) is the acquisition cost of the equipment charged over its useful life. Useful life differs between the Services.

Service Unique: None.

Customer Cost (Line II A6): Include for funded activities.

Comparability Adjustment Required: Adjust in for unfunded activities.

7.4 ADP MANAGEMENT SYSTEMS

Common: Amortization of management systems is the cost of software or management information design costs spread over its useful life.

Service Unique: None.

Customer Cost (Line II A6): Include.

Comparability Adjustment Required: None.

8.0 NON-DOD FUNCTIONS

8.1 STATE UNEMPLOYMENT PAYMENTS

Common: The Department of Labor contributes to a state's unemployment fund based on WCF employment fluctuations. Contributions to this fund are unfunded for each Service. Contact Civilian Personnel for this data.

Service Unique: None.

Customer Cost (Line II A6): Do Not Include.

Comparability Adjustment Required: Adjust in all unfunded costs for public to private.

8.2 IMPACT AID

Common: The Department of Education contributes funds to local public schools based on civilian and military employment figures. Contributions to the public schools are unfunded for each Service.

Service Unique: None.

Customer Cost (Line II A6): Do Not Include.

Comparability Adjustment Required: Adjust in all unfunded costs for public to private.

8.3 CASUALTY INSURANCE

Common: The estimated cost of insurance for replacement of facilities and equipment due to casualty losses. Casualty insurance costs will be computed by multiplying the government approved factor of .005 times the net book value (current depreciated asset value) of government industrial plant equipment (class 3 and 4). Casualty insurance for facilities will be .005 times the estimated facilities replacement cost including the depreciated value of class 2 equipment. All values and costs may be reduced by the amount currently funded for equipment replacement (current CPP/CIP funded amount) and repair of facilities (\$500,000). Allocation of these costs to the competitive workload will be done on the basis of direct labor hours.

Service Unique: None.

Customer Cost (Line II A6): Do Not Include.

Comparability Adjustment Required: Adjust in for all public to private competitions.

9.0 EXCLUDED BASE SUPPORT ACTIVITIES

The following base support activities relate to military mission support only. These activities do not provide any benefit to the organic Depot Maintenance working capital fund. If any of these activities are WCF funded, there will be an adjustment out for comparability purposes.

9.1 Chaplain and Chaplain Services

9.2 Morale and Fitness Support

9.3 Clubs

9.4 Community Support Services

9.5 Explosive Ordnance

9.6 Food Service

9.7 Housing and Lodging Services

9.8 Laundry and Dry Cleaning

9.9 Chief Scientist

9.10 Mortuary Services

9.11 Commissary

9.12 Community Relations

9.13 Dependent Schools

9.14 Exchange Services

9.15 Museums

9.16 Retired Affairs

APPENDIX B

REFERENCES

DOD 7000.14-R	Financial Management Regulation
DOD 7220.9-M	Department of Defense Accounting Manual (superseded in part by DOD 7000.14-R)
DOD 7410.4-R	Working Capital Fund Policy (incorporated in DoD 7000.14-R)
Title 10	United States Code, Section 2208
DMRD 908	Consolidation of Aeronautical Depot Maintenance
DMRD 909	Consolidation of Non-Aircraft Depot Maintenance
30 Jun 90	Under Secretary for Logistics Memo "Strengthening Depot Maintenance Activities"
DODD 5128.32	Defense Depot Maintenance Council Charter Nov. 7, 1990
8 Aug 90	Defense Depot Maintenance Council Meeting Minutes, July 24, 1990
	Federal Acquisition Regulation (FAR)
DODI 4000.19	Reimbursement Support Categories (Pg. 2-1 thru 2-4)

APPENDIX C

DATA SYSTEMS

ARMY

Standard Industrial Fund System
Cost by PCN (B51 MO1)
Cost by Procurement Request Order Number (B51 W05)
Cost by Work Center (B51 M02)
Cost by Army Management Structure (B51 M36)

NAVY

SYSMIS FA Series Reports
NOMIS Customer Order File
NIFMS Navy Air Industrial Financial Mgt System

AIR FORCE

Project Order Control System (G004B)
Depot Maintenance Budget and Mgt Cost System (G035A)
Maintenance Labor Distribution and Cost System (G037G)
Base Level General Accounting Finance System (H069)
Depot Maintenance Production Cost System (G072A)
Contract DM Production/Cost System (G072D)

MARINE CORPS

Navy Industrial Financial Management System (NIFMS)
Navy Industrial Material Management System (NIMMS)
Essex Replacement Program (ERP)

APPENDIX D

COST COMPARABILITY COMMITTEE MEMBERSHIP

NAME	OFFICE	DSN PHONE
(Service Representatives)		
Pat Crossen (Army)	HQ IOC/AMSIO-RMD	793-2063
John Martin (Navy)	NADOC CODE 6.0.D.3	342-3567
Martin Huisman (Marine Corps)	MARCORLOGBASES CODE G321	567-6801
Peter Stauder (Air Force)	HQ AFMC/FMR	787-4394
(Alternate Representatives)		
Kathy Chauncey (Air Force)	HQ AFMC/FMRI	787-0178
Trent Blalock (Marine Corps)	MARCORLOGBASES Code 881	567-5321
(Other Representatives)		
Ken Ellis	JDMAG/MAU	986-2743
Jeff Miller	HQ DCAA	427-2270

APPENDIX E

ACRONYMS

ACP	Asset Capitalization Program
ADPE	Automated Data Processing Equipment
ADR	Aircraft Deficiency Report
ATE	Automated Test Equipment
CAS	Cost Accounting Standards
CETS	Contractor Engineering and Technical Services
CFC	Combined Federal Campaign
CIP	Capital Investment Program
CPP	Capital Purchases Program (formerly ACP)
CSRS	Civil Service Retirement System
DLR	Depot Level Repairable
DMRD	Defense Management Review Decision
DOD	Department of Defense
EEO	Equal Employment Opportunity
FAR	Federal Acquisition Regulations
FERS	Federal Employees Retirement System
G&A	General and Administrative
IF	Industrial Fund (currently identified as Working Capital Fund (WCF))
MCP	Military Construction Program
MDR	Material Deficiency Report
NC	Numerical Control
OJT	On-the-Job Training
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCN	Program Control Number
PCS	Permanent Change of Station
PMEL	Precision Measurement Evaluation Lab
POL	Petroleum, Oil, and Lubricants
QDR	Quality Deficiency Report
RFP	Request for Proposal
RIF	Reduction-in-Force
SDT	Second Destination Transportation
SIOH	Supervision, Inspection and Overhead
SDLM	Standard Depot Level Maintenance
SOR	Source of Repair
SOW	Statement of Work
TQM	Total Quality Management
WCF	Working Capital Fund

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